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ARKANSAS
PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF SOUTHWESTERN BELL)
TELEPHONE COMPANY APPLICATION FOR) DOCKET NO. 97-177-U
APPROVAL OF PHYSICAL COLLOCATION) ORDER NO. 2
AGREEMENT UNDER THE)
TELECOMMUNICATIONS ACT OF 1996 WITH)
BROOKS FIBER COMMUNICATIONS)

ORDER

On April 25, 1997, Southwestern Bell Telephone Company (SWBT) filed an Application for Approval of Physical Collocation Agreements (the Agreements) under the Telecommunications Act of 1996 (1996 Act) between SWBT and Brooks Fiber Communications (Brooks) at the Little Rock Capitol, Little Rock Franklin and Little Rock Mohawk locations. According to the Application, the Agreements were negotiated and executed pursuant to the terms of the 1996 Act.

The 1996 Act requires that any negotiated interconnection agreement shall be submitted to the State commission for approval. The Commission shall approve or reject the agreement within ninety (90) days of the date it is submitted by the parties to the agreement or the agreement is deemed approved. 47 U.S.C. §252(e). The 1996 Act specifies that the Commission may only reject:

(A) an agreement (or any portion thereof) adopted by negotiation under subsection (a) if it finds that:

(i) the agreement (or portion thereof) discriminates against a telecommunications carrier not a party to the agreement; or

(ii) the implementation of such agreement or portion is not consistent with the public interest, convenience, or necessity; . . . 47 U.S.C. §252(e)(2).

Section 9(i) of 1997 Ark. Act 77 requires that the Commission "approve any negotiated interconnection agreement . . . filed pursuant to the Federal Act unless it is shown by clear and convincing evidence that the agreement . . . does not meet the minimum requirements of Section 251 of the Federal Act (47 U.S.C. 251).

There is no evidence that the Physical Collocation Agreements between SWBT and Brooks discriminates against any telecommunications carrier that is not a party to these agreements or that the agreements are not consistent with the public interest. The Physical Collocation Agreements between SWBT and Brooks filed on April 25, 1997, should be and are hereby approved pursuant to Sec. 252(e) of the 1996 Act, 47 U.S.C. §252(e).

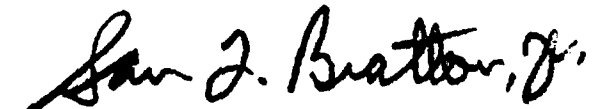
In the comments filed by the General Staff of the Arkansas Public Service Commission (Staff), Staff recommended that SWBT and Brooks file future copies of collocation agreements executed pursuant to Appendix NIM of the SWBT and Brooks Interconnection Agreement in Docket No. 96-278-U in Docket No. 86-033-A referencing this docket and Docket No. 96-278-U. The Staff recommendation is hereby adopted and all future collocation agreements between Brooks and SWBT executed pursuant to the Interconnection Agreement shall be filed in compliance with the procedure recommended by Staff.

BY ORDER OF THE COMMISSION.

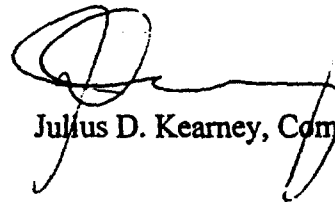
This 23rd day of June, 1997.



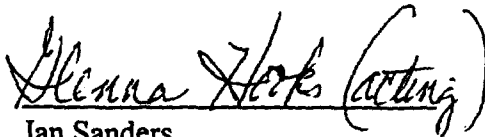
Lavenski R. Smith, Chairman



Sam I. Bratton, Jr., Commissioner



Julius D. Kearney, Commissioner



Jan Sanders
Secretary of the Commission

ATTACHMENT 1

ISSUES MATRIX

I. RESALE-SERVICES AND PRICES

1. What SWBT services should be required to be made available for resale at wholesale rates?

SWBT's Position: SWBT believes it has reached agreement with AT&T with regard to which products and services it is required to sell. SWBT will make available for resale all of its existing retail telecommunications services. Existing wholesale services, like carrier access, will continue to be available without further discount. DAN JACKSON, REBUTTAL, P. 2; INITIAL, P. 4-11. TELECOMMUNICATIONS ACT OF 1996, 251(c)(4)(A). FCC Rule §51.603. FCC Order ¶¶871, 872.

2. Should new entrants be able to aggregate end users in a shared tenant services arrangement without restrictions?

SWBT's Position: To the extent that SWBT's existing retail tariffs allow for the combination of flat-rated services and private technology (PBXs) to create new services, AT&T will be allowed to offer the same services. SWBT is not required to offer services for resale that it does not offer for retail. DAN JACKSON, INITIAL, P. 11-22; REBUTTAL, P. 4-7. TELECOMMUNICATIONS ACT OF 1996, 251(c)(4)(B). FCC Rule §51.603(a) and (b). FCC Order ¶¶332, 872 and 980.

3. Should promotional offerings of 90 days or less be available for resale at the promotional rate?

SWBT's Position: Promotions of less than 90 days are not available for resale although the associated retail service will be available for resale at the retail rate less the applicable wholesale discount. Pursuant to FCC Rule, Section 51-613 (a)(2), during a promotional period of 90 days or less, the wholesale discount should be applied to the "ordinary rate for a retail service." A promotion is not a "retail rate" under the Act, as the FCC held. Order at para. 949. DAN

JACKSON, REBUTTAL, P. 7-10; INITIAL, P. 26-27. FCC Rule §51.613. FCC Order ¶949. ACT 77 OF 1997, SECTION 9(d).

4. Should distance learning services be made available for resale at the wholesale discount rate?

SWBT's Position: SWBT believes that services offered to qualifying educational, medical, and government institutions, are already sufficiently discounted below retail rates and, therefore, are already at wholesale rates. Competitors may purchase these services at the existing discounted rates for resale. However, no wholesale discount should be required. DAN JACKSON, REBUTTAL, P. 2-3; INITIAL, P. 25.

5. What resale restrictions should be permitted, if any?

SWBT's Position: AT&T confuses resale restrictions with use limitations. AT&T must abide by the existing Commission-approved use limitations and service parameters in SWBT's retail tariffs. For example, AT&T cannot aggregate multiple users on services if SWBT does not (e.g., PLEXAR, EAS, Internet access, 1+ Saver Direct) Order ¶963-64. Residence service cannot be resold to business customers. Order ¶962.

SWBT believes that the end user use limitations (approved by the Commission) that SWBT applies to its retail offerings should also be applied by AT&T and other LSPs that resell those offerings. A distinction must be made between "resale restrictions" and use limitations which are contained as part of the service themselves. As recognized by the FCC in paras. 332, 872, and 980 of its First Report and Order, resellers cannot alter the manner in which a retail service is offered or in which a retail service may be used. Resellers, thus, must take SWBT services as they currently exist. The approved use limitations in SWBT's existing services continue to be applicable and should be enforced. Inherent in the concept of resale is the notion that an LSP resells the same service SWBT offers. DAN JACKSON, REBUTTAL, P. 3-7; INITIAL, P. 11-22.

6. Should SWBT's tariffs contain their wholesale offerings?

SWBT's Position: No. There is no requirement in the Act or the FCC Order that SWBT tariff its wholesale offerings. SWBT

will make its services available for resale to requesting telecommunications carriers through Interconnection Agreements between those carriers and SWBT. Those Interconnection Agreements will comply with the provisions of the Federal Act and all applicable orders of the FCC and this Commission. For AT&T, which has requested resale of SWBT's service offerings, the Interconnection Agreement will include an appendix, setting forth the rates, terms and conditions for the resale of services. DAN JACKSON, INITIAL, P. 7.

7. What are the proper procedures for customers changing local companies?

SWBT's Position: Customer changes to an end user's local carrier will be performed in the same interval as SWBT completes orders for itself. Currently this conversion is accomplished manually, and based on a forward looking economic cost study. SWBT proposes to assess a \$25.00 charge for non-complex conversion orders. While SWBT is not opposed to an interim rate of \$5.00 for orders processed electronically, since the electronic gateway system specifications are not yet complete, it is impossible to determine the costs of providing the system or processing orders. At this time, therefore, SWBT believes that it is inappropriate to establish a permanent rate for orders processed electronically. DAN JACKSON, REBUTTAL, P. 12-15.

8. What is the proper methodology for determining the prices for SWBT resold services?

SWBT's Position: SWBT believes that its proposed service by service avoided cost study is the appropriate way to determine the portion of retail rates attributable to cost avoided as required by the Act and that SWBT's service-by-service avoided cost study accurately identifies the costs that will be avoided. SWBT developed its avoided cost studies consistent with the Federal Act and the FCC rules.

Should the Arbitrator determine that it is more appropriate to apply an across the board discount on resold services, SWBT believes an across the board discount should not exceed 14.5%. This discount should not apply to custom contract services or

services provided to qualifying institutions. DAN JACKSON, REBUTTAL, P. 14. BARBARA SMITH, INITIAL, P. 3-5.

9. Are Product Management costs in their entirety an avoided cost?

SWBT's Position: As demonstrated by SWBT's service-by-service avoided cost studies, SWBT's Product Management expenses are not avoided with resale. BARBARA SMITH, REBUTTAL, P. 6. WILLIAM BOULDING, REBUTTAL, P. 5.

10. What percentage of sales expenses is an avoided cost?

SWBT's Position: As demonstrated by SWBT's service-by-service avoided cost studies, PROPRIETARY % of Sales expense is avoided. BARBARA SMITH, REBUTTAL, P. 19. WILLIAM BOULDING, REBUTTAL, P. 16.

11. Are advertising expenses in their entirety an avoided cost?

SWBT's Position: As demonstrated by SWBT's service-by-service avoided cost studies, Advertising expense is not avoided with resale. BARBARA SMITH, REBUTTAL, P. 8. WILLIAM BOULDING, REBUTTAL, P. 9.

12. Are Call Completion Costs (Operator Services) in their entirety an avoided cost?

SWBT's Position: As demonstrated by SWBT's service-by-service avoided cost studies, Call Completion Costs are not avoided with resale. BARBARA SMITH, REBUTTAL, P. 9. WILLIAM BOULDING, REBUTTAL, P. 18.

13. Are number service costs (Directory Assistance) in their entirety an avoided cost?

SWBT's Position: As demonstrated by SWBT's service-by-service avoided cost studies, Number Services Costs are not avoided with resale. BARBARA SMITH, REBUTTAL, P. 9. WILLIAM BOULDING, REBUTTAL, P. 18.

14. Are General & Administrative costs an avoided cost when SWBT is wholesaling a local service?

SWBT's Position: As demonstrated by SWBT's service-by-service avoided cost studies, General and Administrative expenses are not avoided with resale. BARBARA SMITH, REBUTTAL, P. 20. WILLIAM BOULDING, REBUTTAL, P. 21.

15. What percentage of Testing and Plant Administration costs are an avoided cost?

SWBT's Position: As demonstrated by SWBT's service-by-service avoided cost studies, Testing and Plant Administration costs are not avoided with resale. BARBARA SMITH, REBUTTAL, P. 13. WILLIAM DEERE, REBUTTAL, P. 18.

16. What percentage of uncollectible expenses is an avoided cost?

SWBT's Position: As demonstrated by SWBT's service-by-service avoided cost studies, Uncollectible expenses are only partially avoided. Arkansas Service Group Resale Cost Analysis, Table I. BARBARA SMITH, REBUTTAL, SCH. 6, P. 2 OF 4. ACCOUNT NO. 5301.

17. Should LSPSC start up costs be included?

SWBT's Position: SWBT included new additional costs to serve LSPs, the LSPSC and LSPC costs, as permitted by the FCC. AT&T omitted all such costs. BARBARA SMITH, INITIAL, P. 11 & SCH. 2-2, 2-3; REBUTTAL, P. 19.

18. Should access expense/revenues be used in calculations of avoidable costs?

SWBT's Position: No. Access is already a wholesale service and is not part of the retail/wholesale discount. FCC 51.607(b) & Par. 874. The calculations of avoided costs and the retail revenues should not be affected by access considerations. The AT&T use of access is improper. BARBARA SMITH, REBUTTAL P. 25-31.

19. Should return be classified as an avoided cost?

SWBT's Position: No. Return is related to investment, a plant specific expense. Because SWBT retains the facility investment needed to provide resale service, return is not an

avoided expense. FCC 51.609(c)(3). BARBARA SMITH, REBUTTAL, P. 15.

20. What portion of Account 6623 (Customer Service Expense) is avoided?

SWBT's Position: Customer services expenses (Acct. 6623) are only partially avoided with resale since they include general administration expenses associated with service ordering and billing of retail services, public telephone expenses, and billing done for other carriers, among others. BARBARA SMITH, REBUTTAL, P. 15.

21. What revenues should be utilized in the calculation of the Avoided Cost Discount?

SWBT's Position: AT&T's use of only local and toll revenues in the denominator when calculating the avoided cost discount is incorrect. AT&T's approach ignores the difference between the cost of local service and the revenues for local service, i.e., the amount of subsidy that flows to local. BARBARA SMITH, REBUTTAL, P. 29.

II. RESALE-OPERATIONAL ISSUES/ELECTRONIC INTERFACES

1. Should SWBT be required to provide the full compliment of ordering and provisioning functionality through electronic interfaces for unbundled network elements and total service resale?

SWBT's Position: For resold services, SWBT has offered to provide AT&T non-discriminatory access to its operational support systems (EASE-Easy Access Sales Environment) for pre-ordering, ordering and provisioning and other electronic interfaces for maintenance, repair and billing that are equal in quality to that SWBT provides itself. SWBT has offered to provide such access since January 6, 1997.

SWBT also has agreed to provide certain additional electronic interfaces (i.e., Electronic Gateway for pre-ordering and Electronic Data Interface (EDI) for ordering, for both resold services and unbundled network elements) pursuant to AT&T's

request. Some of these interface were made available January 6, 1997 with other modifications for complete order functionality targeted for June 1, 1997. The ability to meet this schedule for the remaining functionality of the EDI interface may be in jeopardy due to the uncertainties associated with the requisite unbundled network elements and the complicated task of complete data element mapping which is required by both SWBT and AT&T for the issuance of a complete and accurate EDI customer service order request. SWBT recommends that SWBT and AT&T continue to diligently work toward the completion of the EDI mapping process after which SWBT will expeditiously provide the functionality into the electronic interface. JAMES WATTS, REBUTTAL, P. 5-7.

SWBT will provide LSPs a single point of contact to provide customer care for LSP service requests. DAN JACKSON, INITIAL, P. 31.

2. What is a reasonable period for advance notification of new services and changes of tariffed services?

SWBT's Position: With regard to tariff filings, for both new services and changes in existing services, SWBT and AT&T agreed that SWBT would notify AT&T at the time the Preliminary Rate Authority (PRA) is received by the states from GHQ. T. 648, 649.

3. Should service interruption of new entrants customers be allowed when customers change from one local service provider to another without a change in service?

SWBT's Position: AT&T can order unbundled elements in combinations. However, AT&T must enumerate the specific elements, features, functions, options, etc., it desires in order to provide service to its customers. In addition, AT&T must designate how any two (or more) elements ordered at the same time should be combined or provisioned to ensure that reseller service meets AT&T's expectations. SWBT cannot assume any particular provisioning configuration for an AT&T customer; such specification should be the responsibility of the service provider. AT&T's position eliminates any distinction between resale and unbundling which is an attempt to circumvent the resale provisions of the Act. Furthermore,

"As is" conversions are available to AT&T through resale. With regard to service interruption, for resale, assuming that SWBT's ordering requirements are met, there will be no interruption of the customer's service. Unbundled Network Elements (UNE) are a completely different issue. SWBT is required to offer UNE as discrete network components, not as services. As discrete components the requesting LSP may utilize these components to supplement their own network. The LSP must specify how SWBT should configure individual UNE to contribute to the LSP's network. Given the basic assumption that LSPs should be in control of their network, it still does not simply follow that UNEs may be configured to replace SWBT's retail services without service interruption when UNE are used with AT&T's operator and directory assistance platforms. Further, service interruptions are clearly unavoidable when UNEs are used in conjunction with the LSP's network components via cross connection to collocated transport facilities. The discrete nature of UNE adds immense complexity to SWBT's provisioning and network testing and tracking requirements. For example, to test unbundled loops cross-connected to an LSP's Central Office, SWBT must put in place a SMAS point on that loop in order later to determine where trouble exists. The potential for Customize Routing and Interim and Long Term Number Portability associated with changes also presents significant provisioning complexity within UNE ordering and provisioning. The complexity increases as an LSPs must have opportunity to modify its use of SWBT UNE in provisioning their services. Although AT&T would have the Arbitrator believe UNE could initially be converted "as is" the same as SWBT's Resale Services, UNE's discreet nature and required flexibility does not allow for this to happen. WILLIAM DEERE, REBUTTAL, P. 20-23. EUGENE SPRINGFIELD, INITIAL, P. 75-77.

III. OPERATOR SERVICES AND DIRECTORY ASSISTANCE

1. Should SWBT be required to customize the routing of operator services and directory assistance calls to AT&T's platforms where AT&T purchases resold services under sec. 251 (c) (4) or state law or purchases unbundled network elements under sec. 251(c) (3) or state law?

SWBT's Position: In a resale or unbundled network elements environment, SWBT has limited technical capability to provide unique routing of operator and directory assistance calls. SWBT believes there are significant network reliability concerns that should be fully reviewed in relation to customized routing. Customized routing will significantly increase the complexity of office translations and the potential for network routing problems. The higher likelihood of network routing errors and increased difficulty and time to resolve these problems can have a definite impact on network reliability.

SWBT is willing to accept each request for customized routing of operator and directory assistance calls and determine if the requested routing can be provided on the switches requested without potential harm to the network. The Arbitrator, thus, should not attempt to establish a price for this element. Instead, each customized routing request should be treated as just that - "Customized" - and a price be determined after it is determined if the routing capability is available and what it will cost to make the changes in the network. SWBT also believes that it is necessary to establish customized routing for LSPs on a first-come basis, since there is currently a limit as to how many operator services routes can be provided in the switches being used in the Arkansas Network. WILLIAM DEERE, REBUTTAL, P. 9.

2. Should SWBT be required to deliver operator services and directory assistance calls, along with the required signaling and data to AT&T for completion?

SWBT's Position: In a resale of Operator Call Completion services and Directory Assistance environment, SWBT does not have the technical capability to route calls completed by its operator switches based upon an originating line number or a terminating line number. All routing is based upon NPA-NXX not 10 digit line numbers. Modifying the SWBT Operator Services network to provide this capability could cost a substantial amount. Resale should be as the name implies - resale of existing tariff offerings, not resale with costly modifications to existing service capabilities. The Arbitrator should determine that AT&T can purchase Operator Call Completion and Directory Assistance services as they are

currently offered in SWBT's tariff at the appropriate discount and without extensive, costly network modifications. RICHARD KEENER, REBUTTAL, P. 2-3.

IV. BRANDING

1. Should SWBT be required to accommodate AT&T's branding requests concerning operators and directory assistance?

SWBT's Position: ISSUE RESOLVED. AT&T and SWBT have reached an agreement on branding operator services calls. As stated in Ms. Dalton's rebuttal testimony on page 8, lines 19-23, there are no outstanding issues with respect to branding operator services and directory assistance calls. SWBT will offer re-branding of directory assistance and operator services in the name of the LSP starting March 1, 1997, and will complete implementation of this process in all SWBT operator and directory assistance platforms by June 30, 1997. RICHARD KEENER, REBUTTAL, P. 1-2. WILLIAM DEERE, REBUTTAL, P. 9.

2. Should SWBT be required to brand Installation, Maintenance, and Repair services in the name of AT&T when provided by SWBT to AT&T customers?

SWBT's Position: With respect to installation and maintenance, SWBT employees will arrive at end users' premises driving vehicles currently in use that are marked "Southwestern Bell" and identifying themselves to end users as Southwestern Bell employees. There is not sufficient room in the trucks nor adequate measures in place for SWBT installers to carry cards identifying themselves as acting on AT&T's behalf, or on behalf of every other local service provider, when making individual calls. Indeed, SWBT's installation and repair technicians will not even know the identity of the LSP for a specific customer.

SWBT will train SWBT employees who have contact with AT&T's or any other LSP's customers not to discriminate against any LSP and not to disparage any LSP, including AT&T, to any customer. In addition, SWBT has agreed that, if it visits an end user's premises on AT&T's behalf and the end user is not available to

allow access, SWBT will leave an unbranded card that does not contain SWBT's name, but rather, a generic statement indicating that a telephone repair person had been there to work on the reported trouble. The card will not indicate that the technician was a SWBT employee. If the AT&T end user is present when SWBT visits the premises, SWBT will inform the customer that SWBT is there acting on behalf of the customer's unnamed LSP. EUGENE SPRINGFIELD, INITIAL, P. 72-74.

V. UNBUNDLING AND PRICES

1. Should SWBT provide the full functionality of unbundled network elements, inclusive of intraLATA toll and exchange access, to new entrants?

SWBT's Position: It is SWBT's position that nothing in the Federal Act gives AT&T the right to have 1+ intraLATA toll calls placed via SWBT's unbundled switch port and local switching elements without compensating SWBT for the appropriate toll charges. It is SWBT's position that when an AT&T end users customer dials a 1+ or 0+ intraLATA toll call, SWBT will bill its intraLATA toll rates to AT&T and will keep those revenues. AT&T will not incur any unbundled local switching charges in connection with such calls nor will it incur any additional charges for SWBT's unbundled loop since that element is charged on a monthly flat-rate basis. There are no "access revenues" for SWBT to keep in connection with such calls. EUGENE SPRINGFIELD, REBUTTAL, P. 14-15.

2. Should SWBT provide additional information regarding a UNE if requested by AT&T?

SWBT's Position: UNEs are not offered as vendor specific technology, but as elements of the network. SWBT does not maintain list of the vendors that are used for each specific UNE. For instance, local transport may be provided using different vendor's equipment in different locations, or a combination of vendors' equipment. SWBT does not maintain such records for its own services and should not be required to be a technical library for AT&T. In other states AT&T has requested "Design and Coordination Support." If AT&T wants

engineering consultant services, it should pay for such services at fair market value. T. 812-814.

3. How should nonrecurring costs be recovered by SWBT?

SWBT's Position: In connection with the provision of unbundled network elements, such as loops, cross connects etc. SWBT proposes to apply nonrecurring charges designed to recover the one-time nonrecurring expense associated with the provision of the element. It would not be appropriate to attempt to recover a one-time nonrecurring expense in a monthly rate because the uncertainty of the period of time over which the expense should be spread, (i.e. the in-service period for the associated unbundled element) would lead to under-recovery of the expense if the in-service period was shorter than estimated and to over-recovery of the expense if the in-service period was longer than estimated.

SWBT agrees that any development costs of gateway and operation interfaces should be recovered from all demand, in a competitively neutral manner. However, any development costs unique to the needs of a single carrier should be charged directly to that carrier on an individual contract basis. EUGENE SPRINGFIELD, INITIAL, P. 41.

4. What unbundled network elements should SWBT provide to AT&T?

SWBT's Position: SWBT is willing to make available nine (9) basic unbundled network elements: the Unbundled Local Loops; Loop Cross-Connect; Access to the customer side of Network Interface Devices (NID); Local Switching; Tandem Switching; Interoffice Transport (Common Transport and Dedicated Transport); Signaling and Call Related Databases (including AIN Platform); Access to Operations Support Systems Functions; and Access to Operator Call Completion Service (OS) and Directory Assistance (DA). EUGENE SPRINGFIELD, INITIAL, P. 21-22. TELECOMMUNICATIONS ACT OF 1996, SEC. 251(c)(3).

5. What should the Unbundled Network Element include?

SWBT's Position: When AT&T purchases UNE, AT&T can obtain all features and functionality of the UNE that are currently being

offered by SWBT. However, AT&T does not get 1+ or 0+ intraLATA toll pursuant to Section 271(e)(2).

There are other costs that are not included in UNE local switching rate that must be recovered by SWBT (e.g., customized routing). EUGENE SPRINGFIELD, INITIAL, P. 26, 77-78; REBUTTAL, P. 12-15.

6. Should the APSC order SWBT to go further in unbundling its network than the FCC required?

SWBT's Position: No. SWBT is willing to make available nine (9) basic unbundled network elements: the Unbundled Local Loops; Loop Cross-Connect; Access to the customer side of Network Interface Devices (NID); Local Switching; Tandem Switching; Interoffice Transport (Common Transport and Dedicated Transport); Signaling and Call Related Databases (including AIN Platform); Access to Operations Support Systems Functions; and Access to Operator Call Completion Service (OS) and Directory Assistance (DA). EUGENE SPRINGFIELD, INITIAL, P. 21-22. TELECOMMUNICATIONS ACT OF 1996, SEC. 251(c)(3); 251(d)(1).

7. Is sub-loop unbundling technically feasible, and if so, under what terms and conditions should it be offered?

SWBT's Position: No. It is not technically feasible to unbundle the loop further without causing a high probability of network failure. Subloop unbundling would substantially reduce SWBT's ability to manage, control and monitor performance of its network. The FCC considered but did not require subloop unbundling. WILLIAM DEERE, INITIAL, P. 5, 19, 23-25, 28-30, 31-33, 39, SCHEDULE 1; REBUTTAL, P. 6-8. T. 784-795. TELECOMMUNICATIONS ACT OF 1996, SEC. 251(c)(3); 251(d)(1).

8. Should AT&T have access to SWBT's unused transmission media ("dark fiber")?

SWBT's Position: No. The FCC specifically declined to require incumbent LECs to offer dark fiber at this time. The FCC stated it would continue to review and revise its rules in this area as necessary. The Arbitrator should permit the FCC

to continue its review and to make its determination of whether dark fiber qualifies as an unbundled network element. SWBT also believes it is not technically feasible to provide dark fiber and that dark fiber is not a telecommunications service. Moreover, it is not an unbundled network element in that it, by definition, is not yet "used" in the provision of a telecommunications service as required by the Federal Act. WILLIAM DEERE, INITIAL, P. 15, 16; REBUTTAL, P. 4.

9. To what extent should AT&T be permitted to combine network elements?

SWBT's Position: SWBT agrees that AT&T may buy unbundled network elements from SWBT and combine those elements to provide a telecommunications service. However, it is SWBT position that when AT&T recombines unbundled network elements to create a service identical to a SWBT retail offering, AT&T should be charged SWBT's retail rate less the applicable wholesale discount for the service arrangement rather than the rates for the individual unbundled network elements. EUGENE SPRINGFIELD, REBUTTAL, P. 15-20. DALE LEHMAN, REBUTTAL, P. 28-30.

10. Should SWBT be required to provide facilities or equipment necessary to satisfy a request for UNEs through a Special Request Process?

SWBT's Position: SWBT is agreeable to a Bona Fide request that allows it to be compensated for the effort necessary to process and develop the requests. WILLIAM DEERE, REBUTTAL, P. 5-6.

11. Should SWBT provide additional information regarding a UNE if requested by AT&T?

SWBT's Position: See SWBT's Position to Issue No. 2.

12. Should AT&T be able to cancel a Network Element Special Request at any time?

SWBT's Position: SWBT is agreeable to a Bona Fide request that allows it to be compensated for the effort necessary to process and develop the requests. This includes time spent on

developing requests for new UNEs that AT&T decides to cancel. WILLIAM DEERE, REBUTTAL, P. 5-6.

13. When SWBT receives a request for a UNE(s) which does not have an established price, what timeframes should SWBT have for responding?

SWBT's Position: Since all UNEs are to be priced based on TELRIC costs, it is not reasonable to expect SWBT to design a new UNE, and conduct a TELRIC cost study in ten days. In addition, AT&T could submit multiple requests for new UNEs at one time and make it impossible for SWBT to comply with the ten day time limit. The fact that SWBT uses a given set of equipment to serve customers does not mean that the methods and procedures and prices for offering this arrangement to AT&T is readily available. WILLIAM DEERE, REBUTTAL, P. 5-6.

14. Should SWBT be required to activate services for AT&T?

SWBT's Position: SWBT has agreed to activate services for AT&T. SWBT has not agreed to accept "As Is" orders. WILLIAM DEERE, REBUTTAL, P. 20-23.

15. Should SWBT be required to provide all technically feasible types of multiplexing/demultiplexing, grooming, digital cross-connect systems (DCS), bridging, broadcast, test and conversion features when and where available?

SWBT's Position: The FCC did not order SWBT to provide to a requesting carrier the terms and conditions under which SWBT provides such elements to itself. At ¶444 the FCC ordered LECs to offer DCS capabilities in the same manner that they offer such capabilities to IXC's that purchase transport services. SWBT has offered AT&T these services from the same tariff that AT&T and other IXC's currently purchase DCS services. WILLIAM DEERE, REBUTTAL, P. 23-24.

16. Should cooperative testing arrangements between SWBT and AT&T be required for network elements?

SWBT's Position: In its request for sub-loop unbundling, AT&T continues to assert that it does not need SWBT to have testing capabilities since AT&T will be able to test loops by itself.

SWBT has offered to provide cooperative testing on mutually agreeable schedules at the turn up of new equipment. This testing would be priced based on the time and equipment used. WILLIAM DEERE, REBUTTAL, P. 4-5, 24.

17. What should be the applicable depreciable lives/depreciation rates for SWBT assets utilized in the cost studies?

SWBT's Position: Economic lives are appropriate for forward-looking studies of unbundled wholesale prices. FCC-prescribed lives, which are not even adequate for retail regulated prices, are not appropriate. Economic lives are required by the FCC's rules for unbundled wholesale prices. 51.505(b)(3), and ¶686 and ¶703 of the FCC's interconnection order. SWBT's proposed economic lives are consistent with the lives used by SWBT's competitors, including AT&T. Net salvage (salvage less cost of removal) should be included in the depreciation rates for unbundled wholesale prices because it is a legitimate, forward-looking cost of providing unbundled elements. JOHN LUBE, INITIAL, P. 6-9, 19-21, 23-27; JOHN LUBE, EXHIBIT NOS. 1 & 2. JOHN LUBE, REBUTTAL, P. 9-13.

18. What should be SWBT's cost of capital used in the cost studies?

SWBT's Position: The appropriate cost of capital to use in the forward-looking cost studies is 10.69%. If 10.69% is not used, the forward-looking cost of capital should be 11.25% which is cited by the FCC in its First Report and Order. WILLIAM AVERA, INITIAL, P. 2, 19, 20.

19. How should the cost of interconnection and unbundled network elements be calculated, and what prices should be established?

SWBT's Position: SWBT's rates as set forth in Eugene Springfield's Initial Testimony, Schedule No. 2 should be accepted by the Arbitrator as the appropriate pricing for the unbundled network elements. SWBT proposes rates that meet the standards set forth in the Federal Act and are generally based upon forward looking incremental costs (where available) plus a reasonable amount of joint and common costs. In some cases, SWBT's proposed prices have been set at current interstate

rate levels that are cost based in accordance with 47 CFR Part 69 or are based upon existing arrangements with independent telephone companies in Arkansas which also generally are based on cost. The results of SWBT's cost studies upon which its prices are based are consistent with the requirements of the FCC. SWBT's studies use current technology available in the network and are developed based upon the existing SWBT infrastructure. Those studies include a reasonable forward looking cost of money of 10.69% that is less than the current authorized FCC interstate return of 11.25%. The studies use current fill factors which are not expected to change materially during the life of the contract. The studies use forward looking depreciation rates comparable to those used by competitors, including AT&T, and are consistent with depreciation rates used by SWBT for financial reporting. The studies also include a reasonable allocation of joint and common expense of 15.64%. These studies also recognize that some cost incurred in the retail markets will not be incurred in providing interconnection and unbundled elements. AT&T's proposed Hatfield Model results are neither realistic nor reasonable. The results fail to comply with the FCC's costing requirements. MICHAEL MOORE, INITIAL, P. 8-11, 24-29. HUGH RALEY, REBUTTAL, P. 2-5. EUGENE SPRINGFIELD, INITIAL, P. 12-15; REBUTTAL, P. 6-11. TIMOTHY TARDIFF, REBUTTAL, P. 23-24. DALE LEHMAN, REBUTTAL, P. 10-11, 20, 21-28.

20. Should SWBT's cost studies be used for pricing services resale, unbundled network elements, interconnection and collocation?

SWBT's Position: See SWBT's Position on Issue No. 19.

21. Should "value of service pricing" be used in setting rates for unbundled elements?

SWBT's Position: The pricing guidelines set forth in the FCC's Order and the FCC Rules pertaining thereto have been stayed by the Eighth Circuit Court of Appeals. Although SWBT has not used "value of service pricing" in establishing its proposed rates for unbundled network elements, SWBT does not agree with AT&T that "value of service pricing" has no place in the establishment of rate levels for unbundled network elements. EUGENE SPRINGFIELD, INITIAL, P. 15-18.

VI. PHYSICAL INTERCONNECTION/COLLOCATION

1. Should AT&T be permitted to designate the point of connection to SWBT's UNEs?

SWBT's Position: SWBT will provide four interconnection options: (1) mid-span fiber interconnection; (2) physical collocation; (3) virtual collocation; and (4) SONET based interconnection' these interconnection options satisfy the FCC Rule 51.305. WILLIAM DEERE, INITIAL, P. 78.

2. What types of telecommunications equipment may be collocated on SWBT's premises?

SWBT's Position: SWBT will provide collocation in SWBT central offices where space is available. LSPs can collocate equipment necessary for interconnection but SWBT should not be required to collocate switching equipment. SWBT will allow collocated LSPs to interconnect with one another pursuant to FCC rules. In offices where SWBT does not have adequate collocation space, SWBT will provide virtual collocation. WILLIAM DEERE, INITIAL, P. 84-85.

3. Should new entrants be allowed to install remote switch modules?

SWBT's Position: SWBT has agreed to offer AT&T arrangements to physically local remote switching modules in SWBT central offices when space permits, but SWBT does not believe that it should be required to allow these arrangements under the rules of collocation. WILLIAM DEERE, REBUTTAL, P. 12.

4. What is the proper method of pricing collocation?

SWBT's Position: Each collocation arrangement is unique based on the nature of the office and the LSP's request. SWBT will charge LSPs the costs of preparing central office space on an individual contract basis. Recurring costs for maintenance, administration and miscellaneous expenses will be based on a standardized cost factor applied to the specific equipment installed for each LSP. Recurring costs for floor space will

be priced based on average forward-looking costs across all applicable offices. WILLIAM DEERE, INITIAL, P. 88-94.

5. What are the minimum requirements for collocation of AT&T's equipment at SWBT's premises?

SWBT's Position: Section 251(c)(6) of the Federal Telecommunications Act of 1996 requires incumbent LECs like SWBT to provide physical collocation or, where space does not exist or where technically impractical, virtual collocation. Physical collocation involves an LSP bringing its own fiber optic or microwave facilities to a SWBT central office to connect to LSP-owned basic transmission equipment placed in SWBT central office space dedicated to that LSP, for the purpose of connecting to SWBT equipment and services. In essence, the LSP essentially leases floor space, purchases ancillary services such as power and environmental services, and installs and maintains its own equipment. Like physical collocation, virtual collocation has historically involved the LSP bringing its own transmission facilities to a SWBT central office. From there, SWBT would connect that facility to LSP-designated basic transmission equipment that SWBT owned, installed, and maintained. With virtual collocation, the LSP has no physical access to the facilities or equipment within SWBT's central offices. SWBT will provide virtual collocation when space is not available or physical collocation is not practical for technical reasons.

Among other things, the FCC Order expands the locations at which SWBT must provide collocation and eliminates the need for the LSP to actually bring its facilities to the collocation arrangement.

There simply is not room to provide a segregated space for a LSP in a hut or vault. WILLIAM DEERE, INITIAL, P. 84-85, SCHEDULE 1.

VII. RECIPROCAL COMPENSATION

1. Should Bill-and-Keep be used as a reciprocal compensation arrangement for transport and termination of local traffic on a temporary or permanent basis?

SWBT's Position: Bill and Keep is not an option at all under the Federal Act unless both parties waive mutual recovery of reciprocal compensation for transport and termination of local traffic. SWBT does not agree to waive recovery of a reciprocal compensation because SWBT does not believe that terminated traffic will be equal and that SWBT's costs of terminating traffic will be greater because of its more extensive facilities. EUGENE SPRINGFIELD, INITIAL, P. 52-59; REBUTTAL, P. 21-25.

2. If Bill and Keep is not adopted, what should be the rates for reciprocal compensation?

SWBT's Position: SWBT's proposed rates for the transport and termination of AT&T local traffic consists of the three separate elements required by the FCC's Rules (Rule 51-701 (b)) and SWBT has conducted forward looking incremental cost studies for all of these elements except for interoffice transport. SWBT's proposed rates for tandem switching and local switching were set at forward looking incremental cost plus a uniform assignment of joint and common cost. SWBT prepared such studies in compliance with the First Report and Order and they are proper reference for determination of SWBT's cost and associated rates. For the unbundled interoffice transport element, SWBT proposes to use rates comparable to the currently effective interstate common and dedicated switched transport rates as allowed by paras. 821 and 822 of the First Report and Order. EUGENE SPRINGFIELD, INITIAL, P. 47-52.

3. Should reciprocal compensation or access charges apply for extended area calls?

SWBT's Position: For the purpose of applying reciprocal transport and termination charges, "local traffic," consists of: (1) all calls which originate and terminate with a SWBT exchange, as well as, (2) those calls which originate and terminate within SWBT exchanges that share a mandatory local calling scope. Furthermore, SWBT recommends that calls which originate and terminate between SWBT exchanges and exchanges of ILECs that share a mandatory local calling scope be considered as interexchange calls and that intrastate access charges minus the Carrier Common Line ("CCL") element apply.

Finally, SWBT recommends that calls between all other exchanges, including SWBT and ILEC exchanges for which optional calling plans are offered, be considered interexchange calls and that full intrastate access charges including the CCL element apply. EUGENE SPRINGFIELD, REBUTTAL, P. 28-29.

4. What arrangement should govern transit traffic arrangements?

SWBT's Position: SWBT agrees that for the calls described in AT&T's position statement, SWBT will assess the appropriate transit rate. The transit rate is comprised of the proposed unbundled tandem switching rate and the interoffice common transport rate. EUGENE SPRINGFIELD, INITIAL, P. 63-65.

5. What rate shall apply when SWBT terminates calls on a new entrants network?

SWBT's Position: SWBT's position is that the rate structure which applies when AT&T terminates local exchange calls on SWBT's network shall also apply when SWBT terminates local calls on AT&T's network.

SWBT's proposed structure for the transport and termination of traffic offers AT&T the option of routing traffic for termination through a SWBT tandem or directly to a SWBT end office. Where AT&T elects to route its terminating traffic through a SWBT tandem, SWBT will carry AT&T's traffic for termination to any SWBT customer served by any SWBT end office within the local calling scope of the exchange which is served by that tandem. Similarly, where AT&T elects to route its terminating traffic to a particular SWBT end office, SWBT will terminate AT&T's traffic to any SWBT customer served by that end office. SWBT's proposed reciprocal transport and termination rates are somewhat higher for Tandem Routed traffic than for End Office Routed traffic because of differences in switching and transport costs between the two methods of termination. Where AT&T has only one end office switch from which it provides service to a particular geographical area within a SWBT exchange, SWBT will terminate all of its traffic via that End Office Routed termination

method and expects to pay only the end office terminating local switching rate.

While a single LSP switch may functionally establish a call path in much the same manner as a SWBT tandem, it nevertheless functions exactly as an end office in that the only purpose of the call path established by the LSP switch is to connect directly to the network facility serving a specific end user premises. In the case of an LSP with a single switch, the facility to which the LSP's switch connects a call is analogous to SWBT's local loops between its end office switch and its customers premises. The LSP with a single switch has simply elected to have long loops rather than deploy additional switches. Since SWBT does not propose to charge an LSP to use SWBT's local loops to terminate local traffic, under the principle of mutual and reciprocal compensation, SWBT does not expect to be charged to use the LSP's local loops to terminate SWBT's local traffic.

The FCC Order does not require LSPs with a single switch to be compensated for terminating traffic as if that single switch was performing a tandem function. Furthermore, SWBT believes that because of cost differences between the functions necessary to terminate a call through a tandem as compared to the function necessary to terminate a call through an end office, LSPs with a single switch are entitled only to the End Office Routed compensation rate. EUGENE SPRINGFIELD, INITIAL, P. 56-58, FCC ORDER ¶1090

VIII. NUMBER PORTABILITY

1. What methods of interim number portability should SWBT be required to provide?

SWBT's Position: SWBT will offer two options for interim number portability (INP): (1) INP-Remote which uses existing remote call forwarding (RCF); and (2) INP-Direct which uses direct inward dialing (DID) technology. The FCC has indicated that remote call forwarding and direct inward dialing are the only methods technically feasible of providing interim number portability and that these methods comport with the requirements of the Federal Act. SWBT should be required only